

# PERRY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2012

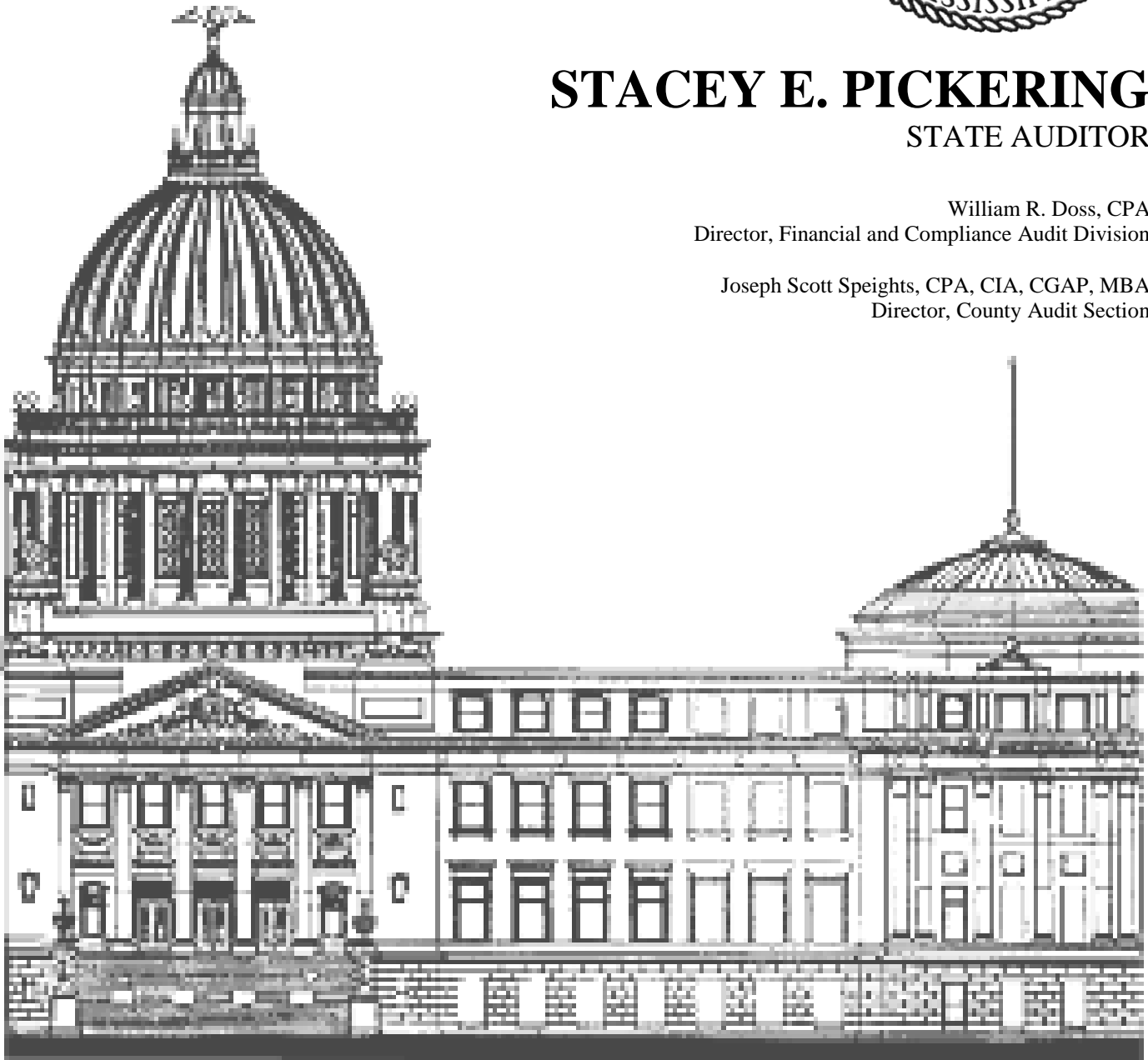


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

December 23, 2013

Members of the Board of Supervisors  
Perry County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 County financial and compliance audit report for Perry County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Perry County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Perry County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



PERRY COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR’S REPORT .....	3
FINANCIAL STATEMENTS .....	5
Statement of Net Assets .....	7
Statement of Activities .....	8
Balance Sheet – Governmental Funds .....	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Statement of Fiduciary Assets and Liabilities .....	13
Notes to Financial Statements .....	15
REQUIRED SUPPLEMENTARY INFORMATION .....	29
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund .....	31
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – District 5 Road Maintenance Fund .....	32
Notes to the Required Supplementary Information .....	33
SUPPLEMENTAL INFORMATION .....	35
Schedule of Expenditures of Federal Awards.....	37
Reconciliation of Operating Costs of Solid Waste .....	38
OTHER INFORMATION .....	39
Schedule of Surety Bonds for County Officials .....	41
SPECIAL REPORTS.....	43
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	45
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	47
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)) .....	49
Limited Internal Control and Compliance Review Management Report .....	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	57
AUDITEE’S SUMMARY OF PRIOR AUDIT FINDINGS .....	65





PERRY COUNTY

FINANCIAL SECTION

PERRY COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Perry County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

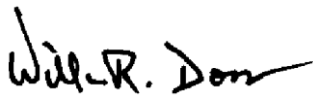
In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of Perry County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Perry County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOOSS, CPA  
Director, Financial and Compliance Audit Division

December 23, 2013

PERRY COUNTY

FINANCIAL STATEMENTS

PERRY COUNTY

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PERRY COUNTY  
Statement of Net Assets  
September 30, 2012

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 9,246,738
Property tax receivable	4,566,586
Fines receivable (net of allowance for uncollectibles of \$984,051)	165,274
Deferred charges - bond issuance costs	56,269
Intergovernmental receivables	102,822
Other receivables	2,519
Capital assets:	
Land	912,903
Other capital assets, net	27,779,836
Total Assets	42,832,947
LIABILITIES	
Claims payable	238,649
Intergovernmental payables	99,770
Accrued interest payable	75,265
Deferred revenue	4,566,586
Other payables	29,942
Long-term liabilities	
Due within one year:	
Capital debt	756,986
Due in more than one year:	
Capital debt	5,846,761
Non-capital debt	65,365
Total Liabilities	11,679,324
NET ASSETS	
Invested in capital assets, net of related debt	23,561,571
Restricted:	
Expendable:	
General government	164,883
Public safety	269,097
Public works	1,902,712
Culture and recreation	435,737
Economic development and assistance	751,527
Debt service	185,892
Unemployment compensation	152,278
Unrestricted	3,729,926
Total Net Assets	\$ 31,153,623

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY  
Statement of Activities  
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,400,677	274,667	37,156		(2,088,854)
Public safety	1,603,492	162,800	128,088		(1,312,604)
Public works	3,960,393		1,350,103	768,390	(1,841,900)
Health and welfare	230,943		42,132		(188,811)
Culture and recreation	102,131	6,201			(95,930)
Education	541,879		517,312		(24,567)
Conservation of natural resources	38,545				(38,545)
Economic development and assistance	35,000				(35,000)
Interest on long-term debt	257,395				(257,395)
Total Governmental Activities	\$ 9,170,455	443,668	2,074,791	768,390	(5,883,606)
General revenues:					
Property taxes				\$ 4,474,276	
Road & bridge privilege taxes				157,293	
Grants and contributions not restricted to specific programs				492,637	
Unrestricted interest income				35,919	
Miscellaneous				815,247	
Total General Revenues				5,975,372	
Changes in Net Assets					91,766
Net Assets - Beginning of year, as previously reported					30,654,638
Prior period adjustment					407,219
Net Assets - Beginning of year, as restated					31,061,857
Net Assets - End of year				\$	31,153,623

The notes to the financial statements are an integral part of this statement.



PERRY COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2012

Exhibit 3

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>District 5 Road Maintenance Fund</u>	<u>2010 General Obligation Bridge Bond Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 3,738,669	325,410	1,512,320	3,670,339	9,246,738
Property tax receivable	2,237,754	270,430		2,058,402	4,566,586
Fines receivable (net of allowance for uncollectibles of \$984,051)	165,274				165,274
Intergovernmental receivables	73,789	6,041		22,992	102,822
Other receivables	2,519				2,519
Due from other funds		5,647		34,137	39,784
Total Assets	<u>\$ 6,218,005</u>	<u>607,528</u>	<u>1,512,320</u>	<u>5,785,870</u>	<u>14,123,723</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 72,035	19,620	39,741	107,253	238,649
Intergovernmental payables	93,634				93,634
Due to other funds	45,618			302	45,920
Deferred revenue	2,403,028	270,430		2,058,402	4,731,860
Other payables	29,942				29,942
Total Liabilities	<u>2,644,257</u>	<u>290,050</u>	<u>39,741</u>	<u>2,165,957</u>	<u>5,140,005</u>
Fund balances:					
Restricted for:					
General government				164,883	164,883
Public safety				269,097	269,097
Public works		317,478	1,472,579	1,585,234	3,375,291
Culture and recreation				435,737	435,737
Economic development and assistance				751,527	751,527
Debt service				261,157	261,157
Unemployment compensation				152,278	152,278
Unassigned	3,573,748				3,573,748
Total Fund Balances	<u>3,573,748</u>	<u>317,478</u>	<u>1,472,579</u>	<u>3,619,913</u>	<u>8,983,718</u>
Total Liabilities and Fund Balances	<u>\$ 6,218,005</u>	<u>607,528</u>	<u>1,512,320</u>	<u>5,785,870</u>	<u>14,123,723</u>

The notes to the financial statements are an integral part of this statement.

## PERRY COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,983,718
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$43,249,678.	28,692,739
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	165,274
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,669,112)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(75,265)
Deferred charges - bond issuance costs	<u>56,269</u>
Total Net Assets - Governmental Activities	\$ <u><u>31,153,623</u></u>

The notes to the financial statements are an integral part of this statement.

## PERRY COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2012

	Major Funds			Other	Total
	General	District 5 Road	2010 General Obligation	Governmental	Governmental
	Fund	Maintenance	Bridge Bond	Funds	Funds
		Fund	Construction Fund		
REVENUES					
Property taxes	\$ 2,143,505	257,365		2,073,406	4,474,276
Road and bridge privilege taxes		31,459		125,834	157,293
Licenses, commissions and other revenue	133,847			4,657	138,504
Fines and forfeitures	154,189			2,097	156,286
Intergovernmental revenues	1,115,590	971,807		1,248,421	3,335,818
Charges for services	24,660			128,873	153,533
Interest income	16,475	831		18,613	35,919
Miscellaneous revenues	184,497	90,869		491,686	767,052
Total Revenues	3,772,763	1,352,331	0	4,093,587	9,218,681
EXPENDITURES					
Current:					
General government	2,138,481			165,840	2,304,321
Public safety	1,295,938			225,412	1,521,350
Public works	22,500	1,382,731	3,255,860	2,871,749	7,532,840
Health and welfare	214,568				214,568
Culture and recreation				95,567	95,567
Education	541,879				541,879
Conservation of natural resources	38,545				38,545
Economic development and assistance				35,000	35,000
Debt service:					
Principal	20,769	48,128		533,477	602,374
Interest	1,488	7,397		253,805	262,690
Total Expenditures	4,274,168	1,438,256	3,255,860	4,180,850	13,149,134
Excess of Revenues over (under) Expenditures	(501,405)	(85,925)	(3,255,860)	(87,263)	(3,930,453)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	46,982	80,761		301,690	429,433
Proceeds from sale of capital assets	573	16,444		51,262	68,279
Compensation for loss of capital assets	4,455			23,790	28,245
Transfers in				62,118	62,118
Transfers out	(1,000)			(61,118)	(62,118)
Total Other Financing Sources and Uses	51,010	97,205	0	377,742	525,957
Net Changes in Fund Balances	(450,395)	11,280	(3,255,860)	290,479	(3,404,496)
Fund Balances - Beginning of year	4,024,143	306,198	4,728,439	3,329,434	12,388,214
Fund Balances - End of year	\$ 3,573,748	317,478	1,472,579	3,619,913	8,983,718

The notes to the financial statements are an integral part of this statement.

## PERRY COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (3,404,496)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$4,562,394 exceeded depreciation of \$1,190,334 in the current period.	3,372,060
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$48,195 and the proceeds from the sale of \$68,279 and compensation for loss of capital assets of \$28,245 in the current period.	(48,329)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(4,655)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$602,374 exceeded debt proceeds of \$429,433.	172,941
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The decrease in compensated absences liability	2,120
The decrease in accrued interest payable	5,295
The amortization of bond issuance costs	<u>(3,170)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>91,766</u></u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2012

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	10,917
Due from other funds		6,136
Other receivables		929
Total Assets	\$	<u>17,982</u>
LIABILITIES		
Due to county depository	\$	929
Intergovernmental payables		17,053
Total Liabilities	\$	<u>17,982</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

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## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Perry County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Perry County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

##### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

District 5 Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for maintenance of roads located in District 5 of Perry County.

2010 General Obligation Bridge Bond Construction Fund - This fund is used to account for proceeds of general obligation bonds issued for the construction, reconstruction and repairing of roads, highways, and bridges located in Perry County, Mississippi.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.



## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

#### E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

#### F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

#### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Perry County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements as required. General infrastructure assets include all roads and bridges and other infrastructure assets.

# PERRY COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

### J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

# PERRY COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

### M. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

### (2) Prior Period Adjustment.

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities – Governmental Activities.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ 407,219

### (3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$9,257,655, and the bank balance was \$9,830,230. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
District 5 Road Maintenance	General	\$ 5,345
District 5 Road Maintenance	Other Governmental Funds	302
Other Governmental Funds	General	34,137
Agency Funds	General	6,136
Total		\$ 45,920

The majority of the receivables represent the tax revenue collected but not settled until October, 2012. All other receivables represent errors in the posting to incorrect funds. All interfund balances are expected to be repaid within one year from the date of the financial statements.

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 1,000
Other Governmental Funds	Other Governmental Funds	61,118
Total		<u>\$ 62,118</u>

The principal purpose of interfund transfers was to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 59,534
Highway planning and construction	25,947
Housing prisoners reimbursement	12,230
Other grants	<u>5,111</u>
Total Governmental Activities	<u>\$ 102,822</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 912,903				912,903
<u>Depreciable capital assets:</u>					
Infrastructure	52,962,206	3,996,843			56,959,049
Buildings	6,877,749			325,087	7,202,836
Improvements other than buildings	77,247				77,247
Mobile equipment	4,729,680	119,163	613,087	168,769	4,404,525
Furniture and equipment	689,161	12,975	13,121	101,710	790,725
Leased property under capital leases	1,330,488	433,413		(168,769)	1,595,132
Total depreciable capital assets	<u>66,666,531</u>	<u>4,562,394</u>	<u>626,208</u>	<u>426,797</u>	<u>71,029,514</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	34,822,069	634,119			35,456,188
Buildings	2,755,940	118,017		6,501	2,880,458
Improvements other than buildings	22,180	3,089			25,269
Mobile equipment	3,992,012	174,099	566,070	89,947	3,689,988
Furniture and equipment	446,782	49,573	11,809	13,077	497,623
Leased property under capital leases	578,662	211,437		(89,947)	700,152
Total accumulated depreciation	<u>42,617,645</u>	<u>1,190,334</u>	<u>577,879</u>	<u>19,578</u>	<u>43,249,678</u>
Total depreciable capital assets, net	<u>24,048,886</u>	<u>3,372,060</u>	<u>48,329</u>	<u>407,219</u>	<u>27,779,836</u>
Governmental activities capital assets, net	<u>\$ 24,961,789</u>	<u>3,372,060</u>	<u>48,329</u>	<u>407,219</u>	<u>28,692,739</u>

\* Adjustments are to correct prior year errors in the capital asset records and to reflect certain routine reclassifications of paid-off capital leases.

# PERRY COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 86,756
Public safety	135,359
Public works	945,280
Health and welfare	16,375
Culture and recreation	6,564
	<hr/>
Total governmental activities depreciation expense	\$ 1,190,334

### (7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Class of Property	Governmental Activities
Mobile equipment	\$ 1,595,132
Less: Accumulated depreciation	700,152
	<hr/>
Leased Property Under Capital Leases	\$ 894,980

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 441,986	18,279
2014	168,888	7,019
2015	125,099	3,581
2016	67,587	1,188
2017	25,187	274
	<hr/>	<hr/>
Total	\$ 828,747	30,341

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(9) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail building bonds	\$ 195,000	5.80/6.00%	06-2014
General obligation road & bridge bonds	<u>5,580,000</u>	3.50/4.25%	06-2030
Total General Obligation Bonds	<u>\$ 5,775,000</u>		
B. Capital Leases:			
2010 Crown Victoria	\$ 8,266	3.10%	01-2014
2010 Crown Victoria	14,009	3.14%	08-2015
2012 Chevrolet Tahoe	19,614	2.50%	11-2015
2012 Dodge Charger	21,750	2.24%	08-2017
2011 International garbage truck	38,222	3.10%	03-2014
Garbage truck	18,914	3.21%	08-2013
4300 International dump body	20,241	3.21%	04-2014
New Holland tractor	9,610	3.07%	04-2014
Kubota tractor	9,103	3.07%	04-2014
Kubota tractor	31,939	2.09%	05-2016
2008 Kubota tractor	14,130	3.64%	07-2013
4300 International dump body	19,643	3.21%	04-2014
2010 International dump truck	20,999	3.10%	01-2014
Kubota tractor & front-end loader	38,240	2.13%	05-2016
2008 Ford 4300 dump truck	10,773	3.46%	08-2013
2010 International dump truck	20,999	3.10%	01-2014
2012 Hyundai hydraulic crawler	109,238	2.19%	09-2017
Caterpillar motor grader	19,223	3.21%	07-2013
2008 Kubota tractor	4,709	3.19%	07-2013
Kubota tractor	31,939	2.09%	05-2016
Kubota tractor	31,939	2.09%	05-2016
Kubota tractor & front-end loader	37,517	2.09%	05-2016
Caterpillar motor grader	111,923	3.29%	09-2013
2011 Freightliner dump truck	43,331	3.14%	08-2015
2011 Freightliner dump truck	43,331	3.14%	08-2015
New Holland T5060 tractor	36,144	2.09%	09-2016
US mower	<u>43,001</u>	2.01%	09-2016
Total Capital Leases	<u>\$ 828,747</u>		

# PERRY COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

### Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2013	\$ 315,000	222,869
2014	330,000	208,369
2015	240,000	193,169
2016	250,000	184,169
2017	260,000	174,794
2018 – 2022	1,445,000	727,920
2023 – 2027	1,735,000	447,300
2028 – 2032	1,200,000	97,200
Total	\$ 5,775,000	2,255,790

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2012, the amount of outstanding debt was equal to 4.83% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 67,485		2,120		65,365	
General obligation bonds	6,080,000		305,000		5,775,000	315,000
Capital leases	696,688	429,433	297,374		828,747	441,986
Total	\$ 6,844,173	429,433	604,494	0	6,669,112	756,986

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund and Road Maintenance Funds.

### (10) Contingencies.

**Federal Grants** - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.



## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(11) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2012
Industrial revenue bonds	\$ 77,000,000

(12) Joint Ventures.

The County participates in the following joint ventures:

Perry County is a participant with the Counties of Greene and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a six-member board. Each county appoints two board members. By contractual agreement, the County's appropriation to the joint venture was \$76,645 in fiscal year 2012. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

Perry County is a participant with the Counties of Covington and Jones, the Cities of Hattiesburg, Laurel and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste for members of the authority. The Perry County Board of Supervisors appoints one of 12 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Perry County is a participant with the Town of Richton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Richton-Perry County Airport. The joint venture was created to provide an airport facility available for use by the general public. The five members of the board of directors are appointed as follows: Perry County, two; Town of Richton, two; jointly by Perry County and the Town of Richton, one. Complete financial statements for the Richton-Perry County Airport can be obtained from the City Hall at 208 Front South Street in Richton, Mississippi.

(13) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each county and one appointed at large. The counties generally provide no financial support to the organization.

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Perry County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County provides a modest amount of financial support when matching funds are required for federal grants

Southeast Mississippi Air Ambulance District provides air ambulance services to the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Perry County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$42,275 for support of the district in fiscal year 2012.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Perry County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$26,112 for support of the entity in fiscal year 2012.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Perry County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$75,500 for support of the district in fiscal year 2012.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Perry County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$276,488 for maintenance and support of the college in fiscal year 2012.

#### (14) Defined Benefit Pension Plan.

Plan Description. Perry County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$305,507, \$276,141 and \$277,866, respectively, equal to the required contributions for each year.

#### (15) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Perry County evaluated the activity of the County through December 23, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

# PERRY COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

Subsequent to September 30, 2012, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/11/2012	2.27%	\$	37,291	Capital lease	Ad valorem taxes
12/04/2012	2.09%		205,841	Capital lease	Ad valorem taxes
01/07/2013	2.22%		26,439	Capital lease	Ad valorem taxes
01/15/2013	2.16%		69,950	Capital lease	Ad valorem taxes
05/21/2013	2.19%		69,568	Capital lease	Ad valorem taxes
06/07/2013	2.19%		107,241	Capital lease	Ad valorem taxes
09/13/2013	2.17%		94,114	Capital lease	Ad valorem taxes
10/30/2013	2.17%		26,437	Capital lease	Ad valorem taxes
12/06/2013	2.17%		39,240	Capital lease	Ad valorem taxes

PERRY COUNTY

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PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY

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PERRY COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2012  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,168,670	2,148,634	2,148,634	
Licenses, commissions and other revenue	126,350	131,781	131,781	
Fines and forfeitures	146,500	156,345	156,345	
Intergovernmental revenues	1,061,759	1,314,235	1,314,235	
Charges for services	5,000	12,430	12,430	
Interest income		18,971	18,971	
Miscellaneous revenues	193,633	180,756	180,756	
Total Revenues	<u>3,701,912</u>	<u>3,963,152</u>	<u>3,963,152</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,924,405	2,147,718	2,147,718	
Public safety	1,453,104	1,259,625	1,259,625	
Public works	1,000	1,000	1,000	
Health and welfare	211,034	215,232	215,232	
Education	576,401	657,960	657,960	
Conservation of natural resources	51,862	38,664	38,664	
Debt service:				
Principal		20,770	20,770	
Interest		1,488	1,488	
Total Expenditures	<u>5,217,806</u>	<u>4,342,457</u>	<u>4,342,457</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,515,894)</u>	<u>(379,305)</u>	<u>(379,305)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		6,676	6,676	
Transfers in	94,920			
Transfers out	(95,137)			
Other financing sources	17,953			
Other financing uses	(44,907)	(38,082)	(38,082)	
Total Other Financing Sources and Uses	<u>(27,171)</u>	<u>(31,406)</u>	<u>(31,406)</u>	<u>0</u>
Net Change in Fund Balance	(1,543,065)	(410,711)	(410,711)	0
Fund Balances - Beginning	<u>3,272,810</u>	<u>3,992,886</u>	<u>3,993,486</u>	<u>600</u>
Fund Balances - Ending	<u>\$ 1,729,745</u>	<u>3,582,175</u>	<u>3,582,775</u>	<u>600</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PERRY COUNTY  
Budgetary Comparison Schedule -  
Budget and Actual (Non-GAAP Basis)  
District 5 Road Maintenance Fund  
For the Year Ended September 30, 2012  
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 271,915	257,310	257,310	
Road and bridge privilege taxes		31,690	31,690	
Intergovernmental revenues	301,309	431,387	431,387	
Interest income		1,109	1,109	
Miscellaneous revenues	5,000	19,773	19,773	
Total Revenues	<u>578,224</u>	<u>741,269</u>	<u>741,269</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	800,429	678,125	678,125	
Debt service:	53,772			
Principal		48,128	48,128	
Interest		7,397	7,397	
Total Expenditures	<u>854,201</u>	<u>733,650</u>	<u>733,650</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(275,977)</u>	<u>7,619</u>	<u>7,619</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		10,295	10,295	
Transfers in		1,831	1,831	
Total Other Financing Sources	<u>0</u>	<u>12,126</u>	<u>12,126</u>	<u>0</u>
Net Change in Fund Balance	<u>(275,977)</u>	<u>19,745</u>	<u>19,745</u>	
Fund Balances - Beginning	<u>275,977</u>	<u>305,665</u>	<u>305,665</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>325,410</u>	<u>325,410</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.



# PERRY COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2012 UNAUDITED

### A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and the major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	District 5 Road Maintenance Fund
Budget (Cash Basis)	\$ (410,711)	19,745
Increase (Decrease)		
Net adjustments for revenue accruals	(47,288)	(32,306)
Net adjustments for expenditure accruals	7,604	23,841
GAAP Basis	\$ (450,395)	11,280

PERRY COUNTY

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PERRY COUNTY

SUPPLEMENTAL INFORMATION

PERRY COUNTY

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PERRY COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/ Passed-through the Mississippi Department of Treasury Schools and roads - grants to states*	10.665	N/A	\$ <u>1,044,039</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	EFLH 1159 4 B	56,012
Highway planning and construction	20.205	EFLH 0056 22 B	37,731
Highway planning and construction	20.205	BR NBIS 076 B	22,500
Highway planning and construction	20.205	EFLH 0056 20 BO	4,070
Highway planning and construction	20.205	EFLH 0056 21 BO	<u>2,025</u>
Subtotal			<u>122,338</u>
Total Expenditures of Federal Awards			\$ <u><u>1,166,377</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - CFDA 10.665 Schools and roads - grants to states

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$526,727 to subrecipients during the year ended September 30, 2012.

\* Denotes major federal award program

PERRY COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2012

Operating Expenditures, Cash Basis:

Salaries	\$	251,938
Expendable Commodities:		
Gasoline and petroleum products		56,924
Repair parts		25,670
Clothing		420
Maintenance		20,709
Insurance on equipment		4,421
Solid waste disposal fees		125,844
Telephone and utilities		2,824
Supplies		<u>3,546</u>

Solid Waste Cash Basis Operating Expenditures		492,296
---	--	---------

Full Cost Expenses:

Indirect administrative costs		11,342
Depreciation on equipment		39,714
Interest on solid waste debt		2,555
Net effect of other accrued expenses		<u>14,154</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>560,061</u></u>
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PERRY COUNTY

OTHER INFORMATION

PERRY COUNTY

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PERRY COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2012  
UNAUDITED

Name	Position	Company	Bond
Bobby R. Bolton	Supervisor District 1	Brierfield Insurance Company	\$100,000
William K. Shows	Supervisor District 2	Brierfield Insurance Company	\$100,000
Thomas Walley	Supervisor District 3	Brierfield Insurance Company	\$100,000
Mitchell Hinton	Supervisor District 4	Brierfield Insurance Company	\$100,000
Lanny Mixon	Supervisor District 5	Hartfield Fire Insurance Company	\$100,000
Natalie Harvison	Comptroller	Brierfield Insurance Company	\$100,000
Vickie Walters	Chancery Clerk	Brierfield Insurance Company	\$100,000
Kathy Dean	Purchase Clerk	Brierfield Insurance Company	\$75,000
Natalie Harvison	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Russell D. Carnahan	Receiving Clerk	Brierfield Insurance Company	\$75,000
Brian Sumrall	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Phillip Dunnam	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Jason Byrd	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
David Woodson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Billy Joe Mills	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Patrick L. Thomas	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Natalie Harvison	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
James Barnes	Constable	Brierfield Insurance Company	\$50,000
Wayne Penton	Constable	Brierfield Insurance Company	\$50,000
Martha F. Clark	Circuit Clerk	Brierfield Insurance Company	\$100,000
Jimmy Dale Smith	Sheriff	Brierfield Insurance Company	\$100,000
James V. Poe	Justice Court Judge	Brierfield Insurance Company	\$50,000
Jacob W. White, Jr.	Justice Court Judge	Brierfield Insurance Company	\$50,000
Teresa Watford	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Spicie Christine Dunnam	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Leslie A. Deakle	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Leslie A. Cochran	Tax Collector-Assessor	Brierfield Insurance Company	\$100,000

PERRY COUNTY

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PERRY COUNTY

SPECIAL REPORTS

PERRY COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Perry County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 23, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Perry County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 12-1, 12-2, 12-3 and 12-5 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 12-4, 12-6 and 12-7 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Perry County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated December 23, 2013, included within this document.

Perry County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Perry County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

December 23, 2013



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Perry County, Mississippi

Compliance

We have audited the compliance of Perry County, Mississippi (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2012. Perry County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Perry County, Mississippi's management. Our responsibility is to express an opinion on Perry County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Perry County, Mississippi's compliance with those requirements.

In our opinion, Perry County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

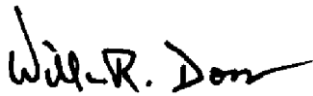
Internal Control Over Compliance

The management of Perry County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Perry County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

December 23, 2013





**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Perry County, Mississippi

We have examined Perry County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Perry County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Perry County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

The Inventory Control Clerk should maintain an inventory control system.

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of dispositions, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. The following deficiencies were

noted in the capital assets records:

- a. Building improvements in the amount of \$325,087, a generator in the amount of \$69,280, and HVAC equipment in the amount of \$32,430, all related to the remodel of the supervisors' annex building were not added to the capital assets records in the prior year. This resulted in a prior-period adjustment of \$407,219 for the cost of the improvements and equipment, net of related depreciation expense of \$19,578.
- b. Infrastructure additions were understated by \$698,973 in the capital assets records.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval. The failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

#### Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly, and classified properly in the county's capital asset records. The information listed in the county's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete.

#### Inventory Control Clerk's Response

We will comply with all recommendations.

Purchase Clerk.

Two competitive written bids should be obtained when required.

#### 2. Finding

Section 31-7-13(b), Miss. Code Ann. (1972), states that purchases which involve an expenditure of more than \$5,000, but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. We noted in our audit test work that two competitive written bids were not obtained for the purchase of petroleum products with a purchase price greater than \$5,000. Failure to obtain competitive written bids could result in excess costs to the County.

#### Recommendation

The Purchase Clerk should ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost between \$5,000 and \$50,000, as required by law.

#### Purchase Clerk's Response

Was informed that the phone calls and written on the quote sheet was sufficient. Understand both should be written from the vendors. Will receive both quotes in written form.

The Purchase Clerk schedules should only include those items that meet the applicable criteria.

#### 3. Finding

Section 31-7-115, Miss. Code Ann. (1972), requires the audit report to include a schedule of purchases not made from the lowest bidder, a schedule of emergency purchases made and a schedule of purchases made noncompetitively from a sole source. We noted the following during our audit test work:

- a. Two separate purchases of culverts that did not qualify as emergency purchases were included on the schedule of emergency purchases prepared by the County.

- b. The purchase of a flared-end culvert that was made in the subsequent fiscal year was included in error on the schedule of purchases made noncompetitively from a sole source. The purchase requisition and purchase order were both issued on November 5, 2012.

Failure to maintain accurate purchasing records could result in violation of state purchasing statutes or misappropriation of public funds.

Recommendation

The Purchase Clerk should ensure that all items included on the Purchase Clerk schedules meet the requirements for inclusion.

Purchase Clerk's Response

Acknowledged and will be corrected.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Perry County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Perry County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Perry County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

December 23, 2013

PERRY COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2012

Our test results did not identify any purchases from other than the lowest bidder.

PERRY COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2012

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
08/30/12	Culverts	\$ 4,179	G & O Supply	Roads and culverts were washed out by Hurricane Isaac
09/04/12	Backhoe rental	7,238	Volvo Rentals	Temporary replacement of damaged backhoe

PERRY COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Perry County, Mississippi

In planning and performing our audit of the financial statements of Perry County, Mississippi (the County) for the year ended September 30, 2012, we considered Perry County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Perry County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 23, 2013, on the financial statements of Perry County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

December 23, 2013

PERRY COUNTY

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PERRY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRY COUNTY

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PERRY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting:                   |             |
| a. | Material weaknesses identified?                              | Yes         |
| b. | Significant deficiencies identified?                         | Yes         |
| 3. | Noncompliance material to the financial statements noted?    | No          |

***Federal Awards:***

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
| a. | Material weakness identified?  | No            |
| b. | Significant deficiency identified?   | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal program:   | Unqualified   |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No            |
| 7. | Federal program identified as major program:   |               |
| a. | Schools and roads – grants to states, CFDA #10.665   |               |
| 8. | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9. | Auditee qualified as a low-risk auditee?   | No            |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-1. Internal controls should be strengthened to include adequate segregation of duties for the County's general accounting functions.

Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior year audit report, the County's accounting system is not adequately segregated to assure a proper internal control structure. Based on test work, we noted the following internal control structure weaknesses in the County's accounting structure:

- a. The comptroller acts as the assistant purchase clerk, prepares the monthly docket of claims, prints disbursement checks, and is the inventory control clerk.

## PERRY COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

- b. Receipt warrants are posted to the general ledger by the comptroller, who maintains the general ledger and prepares the monthly bank reconciliation.
- c. The comptroller also prepares the payroll and the monthly bank reconciliations for the payroll account.

These conditions could result in unrecorded transactions, undetected errors or misappropriation of funds.

#### Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties with respect to control of the general ledger, processing of payroll, purchasing, and inventory accounting functions.

#### Board of Supervisors' Response

The Comptroller only serves as Assistant Purchase Clerk to purchase when the Purchase Clerk is out. An assistant has been hired and is currently doing bank reconciliations, and some of the accounting. She is also being trained to do payroll. Money constraints are responsible for employees having to handle multiple jobs.

#### Material Weakness

- 12-2. Comptroller should reconcile bank statements on a monthly basis.

#### Finding

An effective system of internal control should include timely reconciliation of bank statements to the accounting records. During our testing procedures, we noted the following:

- a. Interest earned in the month of August, 2012, had not yet been posted to the County's records at fiscal year-end.
- b. A check issued on August 31, 2012, from the General County Fund to the Payroll Clearing Fund was not deposited, which resulted in the Payroll Clearing Fund being overdrawn as of September 30, 2012.

Failure to reconcile the bank statements in a timely manner could result in the loss or misappropriation of public funds.

#### Recommendation

The Board of Supervisors should implement a system of internal control to ensure that the bank statements are reconciled to the county's records in a timely manner.

#### Board of Supervisors' Response

Bank statements are reconciled in a timely manner. The interest for August, 2012, and the outstanding deposit for September, 2012, were simply errors that do not normally occur; it was caused by human error. Future bank reconciliations will be done on time.

PERRY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Material Weakness

- 12-3. County did not maintain adequate subsidiary records documenting revenues and expenditures for federal grants received.

Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all receipts and expenditures relating to each federal grant received. The County did not report all federal grant expenditures on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2012. Also, expenditures reported on the prior year Schedule of Expenditures of Federal Awards were erroneously included on the current year schedule. As a result, several corrections were proposed by the auditor and made by the County to the Schedule of Expenditures of Federal Awards. The failure to properly complete the Schedule of Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The County should maintain adequate subsidiary records documenting all revenue and expenditures relating to each federal grant received.

Board of Supervisors' Response

We will comply with these recommendations.

Circuit Clerk.

Significant Deficiency

- 12-4. Bank statements were not reconciled to the fee journal.

Finding

An effective system of internal control should include maintaining a fee journal and reconciling the bank statements to the fee journal. The bank statements were not reconciled to the fee journal. Also, the fee journal accounts did not balance. Failure to reconcile the bank statements to the fee journal and to ensure that the fee journal was properly maintained resulted in the understatement of revenues and overstatement of expenses on the clerk's annual financial report. A corrected annual report has not been received from the Circuit Clerk.

Recommendation

The Circuit Clerk should ensure that the bank statements are reconciled to the fee journal and that the fee journal is properly maintained.

Circuit Clerk's Response

I am in the process of getting the fee journal computer program installed as soon as possible. At the present I do all of my fee journal accounting manually. I feel a lot of the finding was due to addition and bring balances forward. As of August 15, 2013 I have submitted my amended Financial Report to PERS along with my payment and a copy to the audit department.

PERRY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Inventory Control Clerk.

Material Weakness

12-5. The Inventory Control Clerk should maintain an inventory control system.

Finding

An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of dispositions, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. The following deficiencies were noted in the capital assets records:

- a. Building improvements in the amount of \$325,087, a generator in the amount of \$69,280, and HVAC equipment in the amount of \$32,430, all related to the remodel of the supervisors' annex building were not added to the capital assets records in the prior year. This resulted in a prior period adjustment of \$407,219 for the cost of the improvements and equipment, net of related depreciation expense of \$19,578.
- b. Infrastructure additions were understated by \$698,973 in the capital assets records.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval. The failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly, and classified properly in the county's capital asset records. The information listed in the county's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete.

Board of Supervisors' Response

We will comply with all recommendations.

Sheriff.

Significant Deficiency

12-6. Internal controls in Sheriff's office should be strengthened.

Finding

An effective system of internal control for collecting, recording, and disbursing cash in the Sheriff's office should include timely bank deposits and adequate segregation of duties. Controls over cash are inadequate. The following deficiencies were noted:

- a. Deposits were not made in a timely manner.
- b. The same person receipts process and bond fees, prepares bank deposits, takes deposits to the bank, posts receipts to the cash journal, prepares the bank reconciliations, and prepares the monthly settlement of fees to the County.

## PERRY COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

Failure to implement controls over the collecting, recording, and disbursing of cash, and lack of segregation of duties in the Sheriff's office could result in the loss of misappropriation of public funds.

#### Recommendation

The Sheriff should implement effective internal control policies that allow for the proper segregation of duties with respect to the collecting, recording, and disbursing of cash.

#### Sheriff's Response

The Perry County Sheriff's Department is a rural county operating on a limited financial budget as well as limited personnel. It is regretful, but this department has to have one person filling many roles and duties which limits the time needed to fulfill all the duties and responsibilities demanded of them. Every effort will be made to correct and comply with the report's findings and recommendations.

#### Significant Deficiency

##### 12-7. Internal controls over the inmate canteen should be strengthened.

#### Finding

An effective system of internal control over the inmate canteen fund should include an adequate segregation of duties and the maintenance and reconciliation of records documenting cash collections. Controls were inadequate over cash. The following deficiencies were noted:

- a. The duties of the tactical officer include receipting inmate canteen monies, preparing deposits for the inmate canteen account, reconciling the cash journal to the bank statements, preparing settlements of commissions received and disbursing funds. The work of the tactical officer was not reviewed by another person.
- b. Monies received were not deposited in a timely manner.
- c. All commissions received were not settled to the County in a timely manner. As of fiscal year-end, canteen commissions had not been settled to the County since November, 2010.

Failure to implement adequate controls over the collection, recording, and disbursement functions could result in inaccurate reporting, incomplete settlements, and the increased possibility of the loss or misappropriation of public funds.

#### Recommendation

The Sheriff should ensure that there is an adequate separation of duties in the collecting, recording, and settlement functions. The Sheriff should ensure that monies are deposited in a timely manner and that commissions received are properly settled to the County.

#### Sheriff's Response

The Perry County Sheriff's Department is a rural county operating on a limited financial budget as well as limited personnel. It is regretful, but this department has to have one person filling many roles and duties which limits the time needed to fulfill all the duties and responsibilities demanded of them. Every effort will be made to correct and comply with the report's findings and recommendations.

#### Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

PERRY COUNTY

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PERRY COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PERRY COUNTY

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BOBBY R. BOLTON, District 1

KEVIN SHOWS, District 2

THOMAS W. WALLEY, District 3

MITCHELL HINTON, District 4

LANNY L. MIXON, District 5

**PERRY**

**COUNTY**

OFFICE OF  
BOARD OF SUPERVISORS  
NEW AUGUSTA, MISSISSIPPI 39462

PHONE NO. (601) 964-8370  
FAX NO. (601) 964-8265

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended September 30, 2012

Office of the State Auditor  
PO Box 956  
Jackson, Mississippi 39205

Gentlemen:

The Perry County Board of Supervisors respectfully submits the following summary schedule of prior audit findings relative to federal awards.

**DEPARTMENT OF AGRICULTURE**

2011 – Finding No. 3: Schools and Roads – Grants to States, CFDA No. 10.665.

Condition: During fiscal year 2011, Perry County received \$1,234,229 in National Forest Distribution Title I funds, a portion of the Secure Rural Schools Act state payments, which are to be used to benefit public schools and public roads in counties where national forests are located. Upon receipt of these funds, fifty percent of the total received should be settled to the county's public schools. The county received a total of fourteen (14) National Forest Distribution Title I payments during fiscal year 2011. However, as reported in the prior year's audit, during our test procedures, we noted that two of these payments were not properly settled to Perry County Schools. The county's lack of adequate internal controls resulted in an overstatement of county revenues in the amount of \$9,415.

Recommendation: The Perry County Board of Supervisors should take the necessary steps to ensure that fifty percent of the total National Forest Distribution Title I funds received are properly settled to the county's public schools.

Current Status: Corrective action was taken.

Sincerely,



Kevin Shows  
President, Perry County Board of Supervisors  
(601) 964-8370